

ALTERNATIVE PERFORMANCE INDICATORS

In this press release, in addition to the conventional financial indicators established by IFRS, certain non-IFRS measures are presented to allow for a better assessment of the Telecom Italia Media Group operating and financial performance; however, these indicators should not be construed as a substitute for the conventional ones prescribed by IFRS.

Specifically, the non-IFRS indicators are described below:

- **EBITDA.** Telecom Italia Media uses this indicator as a financial target in internal and external presentations. It provides a useful unit of measurement for assessing the Group's operating performance, both as a whole and at the business unit level, in addition to **EBIT**. These indicators are as follows:

<p>Income from continuing operations before taxes</p>
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- | |
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| <ul style="list-style-type: none">+ Financial expenses- Financial income+/- Share of losses (profits) of affiliates and joint-ventures accounted for using the equity method |
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<p>EBIT (Operating Income)</p>

- | |
|---|
| <ul style="list-style-type: none">+/- Impairment losses/(Reversals) of non-current assets+/- Losses/(Gains) on disposals of non-current assets+ Depreciation and amortization |
|---|

<p>EBITDA (Operating result before depreciation and amortization, capital gains/(losses), and impairment reversals/(losses) on non-current assets)</p>

- **Net Financial Debt** Telecom Italia Media deems that Net Financial Debt is an accurate indicator of its ability to meet its financial obligations, measured by Gross Financial Debt minus Cash and Cash Equivalents and other Financial Assets (financial receivables and securities other than equity investments).

TELECOM ITALIA MEDIA GROUP CONSOLIDATED INCOME STATEMENT

(in thousand of euro)	H1 2007	H1 2006	Changes	
	(a)	(b)	(a-b)	%
Revenues	124,999	97,848	27,151	27.8
Other income	5,064	3,929	1,135	28.9
Total operating revenue and operating income	130,063	101,777	28,286	27.8
Purchases of material and external services	(106,754)	(108,872)	2,118	1.9
Personnel costs	(38,002)	(39,727)	1,725	4.3
Other operating expense	(6,842)	(7,888)	1,046	13.3
Changes in inventories	644	1,927	(1,283)	(66.6)
Capitalised internal construction costs	121	423	(302)	(71.4)
OPERATING INCOME BEFORE AMORTIZATION EBITDA	(20,770)	(52,360)	31,590	60.3
Amortisation	(30,840)	(26,674)	(4,166)	(15.6)
Gains/(losses) on disposal of non-current assets	(3)	2	(5)	n.s.
Write-ups/(write-downs) of non-current assets	-	-	-	-
OPERATING INCOME	(51,613)	(79,032)	27,419	34.7
Share of earnings of equity investments in associates value with the equity method	-	-	-	-
Financial income	532	3,843	(3,311)	(86.2)
Financial expense	(3,990)	(1,025)	(2,965)	(289.3)
RESULT FROM CONTINUING OPERATIONS BEFORE TAX	(55,071)	(76,214)	21,143	27.7
Income taxes	16,404	21,549	(5,145)	(23.9)
NET PROFIT FROM CONTINUING OPERATIONS	(38,667)	(54,665)	15,998	29.3
Net profit (loss) from discontinued operations/held for sale	(2,149)	-	(2,149)	
INCOME (LOSS) FOR THE PERIOD	(40,816)	(54,665)	13,849	25.3
Attributable to:				
* Net profit (loss) attributable to the Parent	(42,229)	(54,875)	12,646	23.0
* Net profit (loss) attributable to the minority interest	1,413	210	1,203	n.s.

The Telecom Italia Media Group is organized in two Business Units – **Television** and **News**.

- The **Television** Business Unit focuses on the production and broadcasting of content through analog TV networks managed under central government concession and digital networks, as well as the marketing of advertising time during commercial breaks in programming. It also operates as both an analog and digital television broadcaster and manages both satellite channels and pay-per-view services on Digital Terrestrial TV. In detail, as the context in which the Group operates has changed, in 2007 Telecom Italia Media adjusted its business model, based on the following activities:
 - **Free to Air**, which includes the two analog TV channels La7 and MTV;
 - **Multimedia**, which takes on the role of Content Competence Center of the Telecom Italia Group in designing and producing the content offer for the IPTV, DVBH and Rosso Alice platforms and developing content and channels on satellite and interactive platforms (Web and Mobile);
 - **Digital Terrestrial**, through consolidation of the Calcio PPV business model, the offer of new content, and the rental of digital band to third parties.
- The “**News**” Business Unit operates through TM News, a leading Italian press agency with a marked international scope. It originated through a partnership with Associated Press (AP) and provides news around the clock, as well as special analyses, specials and reports from its headquarters in Rome and Milan, and its international offices in Brussels, New York and Moscow.

INFORMATION BY BUSINESS UNIT

	Television				News	Staff - Other activities and adjustments	Group total
	Free to Air	Multimedia	DTT	Total TV			
<i>(in millions of euro)</i>							
Sales and service revenues							
H1 2007	85.9	13.2	21.9	121.0	4.7	(0.7)	125.0
H1 2006	75.5	9.9	8.6	94.0	4.5	(0.7)	97.8
Year 2006	144.4	23.6	31.5	199.5	9.3	(1.3)	207.5
EBITDA							
H1 2007	(9.0)	4.5	(7.9)	(12.4)	(3.0)	(5.4)	(20.8)
H1 2006	(18.9)	2.8	(26.7)	(42.8)	(2.9)	(6.7)	(52.4)
Year 2006	(30.5)	7.5	(43.4)	(66.4)	(5.6)	(10.9)	(82.9)
EBIT							
H1 2007	(25.0)	3.9	(22.0)	(43.1)	(3.2)	(5.3)	(51.6)
H1 2006	(32.8)	2.2	(38.5)	(69.1)	(3.2)	(6.7)	(79.0)
Year 2006	(59.0)	6.3	(67.6)	(120.3)	(6.3)	(10.9)	(137.5)
Investments							
H1 2007	25.3		20.8	46.1	0.1		46.2
H1 2006	15.4		43.2	58.6			58.6
Year 2006	32.4	0.1	52.3	84.8			84.8

TELECOM ITALIA MEDIA GROUP CONSOLIDATED BALANCE SHEET

(in thousand of euro)	06/30/2007	12/31/2006	Changes
	(a)	(b)	(a-b)
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
- Goodwill	185,532	185,532	-
- Intangible assets with a finite life	228,835	211,061	17,774
	414,367	396,593	17,774
Tangible assets			
- Property, plant and equipment owned	61,059	63,485	(2,426)
- Assets held under finance leases	-	-	-
	61,059	63,485	(2,426)
Other non current assets			
- Equity investments	4,451	4,703	(252)
- Financial receivables and other non-current financial assets	2,015	2,182	(167)
- Miscellaneous receivables and other non-current assets	475	62,304	(61,829)
Deferred tax assets	34,603	15,627	18,976
	41,544	84,816	(43,272)
TOTAL NON-CURRENT ASSETS (A)	516,970	544,894	(27,924)
CURRENT ASSETS			
Inventories	3,520	2,753	767
Trade receivables, miscellaneous receivables and other current assets	178,748	179,323	(575)
Current tax assets	2,443	1,858	585
Securities other than equity investments	-	-	-
Financial receivables and other current financial assets	1,621	5,463	(3,842)
Cash and cash equivalents	351	275	76
Subtotal current Assets	186,683	189,672	(2,989)
Discontinued operations/Assets held for sale			
of a financial nature	-	-	-
of a non-financial nature	-	-	-
	-	-	-
TOTAL CURRENT ASSETS (B)	186,683	189,672	(2,989)
TOTAL ASSETS (A+B)	703,653	734,566	(30,913)
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to equity holders of the Parent	316,144	358,326	(42,182)
Equity attributable to Minority interests	12,084	12,903	(819)
TOTAL SHAREHOLDERS' EQUITY (C)	328,228	371,229	(43,001)
NON-CURRENT LIABILITIES			
Non-current financial liabilities	110,856	116,223	(5,367)
Employee severance indemnities and other employee-related reserves	14,276	14,705	(429)
Reserve for deferred taxes	35,923	37,538	(1,615)
Reserve for future risk and charges	757	718	39
Miscellaneous payables and other non-current liabilities	24	33	(9)
TOTAL NON CURRENT LIABILITIES (D)	161,836	169,217	(7,381)
CURRENT LIABILITIES			
Current financial liabilities	58,181	19,935	38,246
Trade payables, miscellaneous payables and other liabilities	155,338	173,912	(18,574)
Current tax liabilities	70	273	(203)
Subtotal current Liabilities	213,589	194,120	19,469
Liabilities relating to discontinued operations/asset held for sale			
of a financial nature	-	-	-
of a non-financial nature	-	-	-
	-	-	-
TOTAL CURRENT LIABILITIES (E)	213,589	194,120	19,469
TOTAL LIABILITIES (F=D+E)	375,425	363,337	12,088
TOTAL EQUITY AND LIABILITIES (C+F)	703,653	734,566	(30,913)

TELECOM ITALIA MEDIA GROUP - CONSOLIDATED CASH FLOWS STATEMENT

(in thousands of euro)	H1 2007	H1 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) from continuing operations	(38,667)	(54,665)
<i>Adjustments to reconcile net income from continuing operations to cash flows generated by (used in) operating:</i>		
Depreciation and amortization	30,840	26,674
Impairment/reversals losses of non-current assets (including investments)	-	-
Net change in deferred tax assets and liabilities	(19,532)	(21,882)
Net realized/gains losses on disposals of non-current assets (including investments)	3	(2)
Share of (profits) losses of associates accounted for using the equity method	-	-
Change in employee severance indemnities and other employee-related provisions	(429)	1,222
Change in other operating assets/liabilities:	38,896	94,580
Change in inventories (I)	(767)	(1,578)
Change in trade receivables (I)	6,671	(5,195)
Change in trade payables (I)	(22,950)	(16,971)
Net change in miscellaneous receivables/payables and other assets/liabilities (I)	55,942	118,324
CASH FLOWS GENERATED BY (USED IN) OPERATING ACTIVITIES (A)	11,111	45,927
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of intangible assets on an accrual basis	(38,149)	(13,601)
Acquisitions of tangible assets on an accrual basis	(8,042)	(45,031)
Total acquisitions of intangible and tangible assets on an accrual basis	(46,191)	(58,632)
Change in amounts due to fixed asset suppliers	249	16,356
Total acquisitions of intangible and tangible assets on a cash basis	(45,942)	(42,276)
Acquisitions of investments in subsidiaries and businesses, net of cash acquired (II)	-	-
Acquisitions of other investments (II)	-	(20)
Change in financial receivables and other financial assets (I)	4,009	(715)
Proceeds on sale of investments in subsidiaries, net of cash disposed of (III)	-	65,787
Proceeds on sale of intangible, tangible and other non-current assets and distribution of reserves from associates (III)	252	859
CASH FLOWS GENERATED BY (USED IN) INVESTING ACTIVITIES (B)	(41,681)	23,635
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in current financial liabilities and other (I)	31	61
Proceeds from non-current financial liabilities (including current portion)	-	63
Repayments of non-current financial liabilities (including current portion)	(9,911)	-
Other changes in non-current financial liabilities	549	72
Proceeds from equity instruments	-	2,334
Share capital increases/repayments	-	-
Dividends paid (distribution of reserve included)	(2,233)	(550,588)
CASH FLOWS GENERATED BY (USED IN) FINANCING ACTIVITIES (C)	(11,564)	(548,058)
Cash flows generated by (used in) discontinued operations/assets held for sale (D)		
AGGREGATE CASH FLOWS (E=A+B+C+D)	(42,134)	(478,496)
NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (F)	(8,403)	434,416
Net effect of foreign currency translation on net cash and cash equivalents (G)	-	-
NET CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (H=E+F+G)	(50,537)	(44,080)
ADDITIONAL CASH FLOW INFORMATION:		
Income taxes (paid)/collected	47,003	121,088
Interest expense paid	-	-
Interest income received	-	-
Dividends received	-	-
RECONCILIATION BETWEEN CASH AND TOTAL NET CASH EQUIVALENTS:		
NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR, BROKEN DOWN AS FOLLOWS:	(8,403)	434,416
Cash and cash equivalents - from continuing operations	275	450,215
Bank borrowings repayable on demand - from continuing operations	(8,678)	(12)
Cash and cash equivalents - classified as discontinued operations/assets held for sale	-	3,616
Bank borrowings repayable on demand - classified as discontinued operations/assets held for sale	-	(19,403)
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, BROKEN DOWN AS FOLLOWS:	(50,537)	(44,080)
Cash and cash equivalents - from continuing operations	351	417
Bank borrowings repayable on demand - from continuing operations	(50,888)	(44,497)
Cash and cash equivalents - classified as discontinued operations/assets held for sale	-	-
Bank borrowings repayable on demand - classified as discontinued operations/assets held for sale	-	-

(I) Net of the effects of the purchase/sale of equity investments in consolidated subsidiaries.

(II) Net of the change in accounts payable for the relevant acquisition.

(III) Net of the change in accounts receivable for the relevant sale.